

O/o. CS & GM (Legal)  
Corporate Office  
Bharat Sanchar Bhawan  
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3389



भारत संचार निगम लिमिटेड  
(भारत सरकार का उपक्रम)  
BHARAT SANCHAR NIGAM LIMITED  
(A Govt. of India Enterprise)

**Company Secretariat and Legal Division**

No. BSNL/Sectt/25-1/2018 (Pt.)

Dated 24.11.2021

**Subject: Policy on Related Party Transactions**

As all concerned are aware, subsequent to issue of Rs. 8500 Crores Government of India Guaranteed NCDs/Bonds and the listing of the same with Bombay Stock Exchange (BSE), BSNL has become a listed entity w.e.f. 28.09.2020. Further SEBI vide its notification dated 07.09.2021 issued Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2021 effective from 07.09.2021, inter alia provides for formulation of a Policy on Related Party Transactions, duly approved by its board of directors.

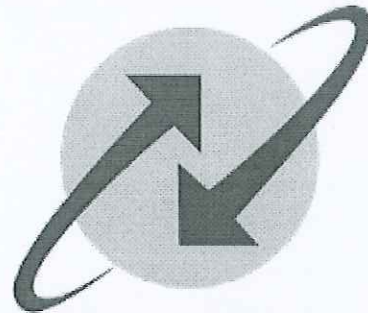
2. In accordance with the said provisions, BSNL Policy on Related Party Transactions approved by Board of Directors in their 210<sup>th</sup> meeting held on 11th November 2021 for intended to ensure by all the concerned the proper approval and reporting of transactions between the Company and its Related Parties.

(J.P. CHOWDHARY)

Company Secretary & GM (L)

To

1. All the PGMS/ Sr. GMs/GMs of the corporate office.
2. All the Chief General Manager - Circles/ Projects/Regions/ Factories and all concerned.
3. All BA Heads
4. Copy for information to:-CMD / Director (CFA)/ Director (CM) / Director (Enterprise) / Director (Finance)/ Director(HRD)



**BSNL**

*Connecting India*

**Bharat Sanchar Nigam Limited**

(A Government of India Enterprise)

CIN No. U74899DL2000GOI107739

Regd. & Corporate Office: Bharat Sanchar Bhawan, H. C. Mathur  
Lane, Janpath, New Delhi-1

Website: [www.bsnl.co.in](http://www.bsnl.co.in)

**POLICY ON RELATED PARTY TRANSACTIONS**

*(As approved by the Board of Directors on 11<sup>th</sup> November, 2021)*

## **BSNL - POLICY ON RELATED PARTY TRANSACTIONS**

Bharat Sanchar Nigam Limited (BSNL) is a Govt. of India owned Public Sector Undertaking, providing telecom services in India. The Government of India holds 100% stake in equity capital of the company as on date.

### **1. Introduction**

Bharat Sanchar Nigam Limited ("BSNL" or "Company"), is a wholly owned Govt. of India Company. The Company has issued Govt. of India Guaranteed, Rated, Unsecured, Redeemable, Taxable, Listed, Non-Convertible Debentures having face value of Rs. 10 Lakh each ("debentures"/"Bonds") for cash at par, aggregating to Rs. 8500 crore on private placement basis. The Bonds are listed on Wholesale Debt Market (WDM) segment of BSE Ltd. w.e.f. 28<sup>th</sup> September 2020. The Company's equity shares are not listed. However, due to the listing of the aforesaid Govt. Guaranteed bonds with BSE, the Company becomes a 'listed entity' in terms of section 2(1)(b) of SEBI(LODR) 2015 read with section 2(h)(i) of the Securities Contracts (Regulation) Act, 1956 [SCRA]

BSNL recognizes that Related Party Transactions (as defined below) may pose potential or actual conflicts of interest and may raise questions whether such transactions are in the larger interest of the Company as well as the stakeholders concerned and in compliance with the provisions of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This policy as duly modified and adopted by the Board of Directors of the Company at the 210<sup>th</sup> meeting held on 11<sup>th</sup> November, 2021 under the nomenclature "**BSNL - Policy on Related Party Transactions**" shall be implemented with immediate effect.

### **2 Scope and purpose of the policy**

This policy is framed as per requirement of Regulation 23(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [SEBI LODR, 2015] intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties

The Board of Directors of the Company upon the recommendation of Audit Committee has adopted this Policy on Related Party Transactions. The policy envisages the procedure governing Related Party Transactions required to be followed by the Company to ensure compliance with the requirements under law.

Regulation 23 stipulates that all listed companies shall formulate a policy on materiality of related party transactions and also on dealing with related party transactions including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

Accordingly, this policy has been framed and adopted by the Board in supersession of the earlier policy on the subject followed under the erstwhile Listing Agreement.

### 3. Definitions

- a. **Act** means the Companies Act, 2013 including any amendment or modification thereof.
- b. **Arm's Length Transaction** means a transaction between two related parties that is conducted as if they were unrelated.
- c. **Associate Company** a company as defined under section 2(6) of the Act and as defined by Indian Accounting Standard (**Ind AS**) 28 on Accounting for Investments in Associates in Consolidated Financial Statements.
- d. **Audit Committee** means the Committee of the Board constituted by the Board of Directors of the Company under the provisions of SEBI(LODR) 2015 , DPE Guidelines and Companies Act, 2013 as may be amended from time to time.
- e. **Board or Board of Directors** means the collective body of directors of the Company.
- f. **Body Corporate** means an entity as defined under section 2(11) of the Act.
- g. **Company or BSNL** means Bharat Sanchar Nigam Limited.
- h. **Director** means a person as defined under section 2(34) of the Act.
- i. **Employees** shall mean the employees and officers of the Company, including but not limited to Whole-time Directors.
- j. **Key Managerial Personnel**, as defined under section 2(51) of the Act, in relation to the Company, shall mean -
  - i. Chief Executive Officer or the Managing Director or the Manager;
  - ii. Company Secretary;
  - iii. Whole-time Director;
  - iv. Chief Financial Officer;
  - v. Such other officer as may be prescribed.
- k. **Listing Regulations** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as may be modified from time to time.
- l. **Material Related Party Transactions**-- As per Regulation 23 of SEBI (LODR), 2015, A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a



financial year, exceeds ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity

**m. Ordinary course of business:**

Ordinary course of business means the usual/ routine/ regular business transactions undertaken by the Company in normal course of conducting its business operations and activities, which includes-

- (i) Payment of remuneration, including the monthly salary, performance related pay, and ex-gratia/reward for services, to Functional Directors and Key Managerial Personnel,
- (ii) Payment of sitting fee to the Independent Directors;
- (iii) Payment of expenditure incurred on travel, conveyance, boarding, lodging and on other expenditure incidental thereto, incurred by the Company in connection with the discharge of official duties by the Directors and Key Managerial Personnel;

Further, Guidance Note on RPTs issued by the Institute of Companies Secretaries of India, inter-alia suggest the following factors for deciding whether an activity which is carried on by the business is in the 'ordinary course of business':

- a. Whether the activity is covered in the objects clause of the Memorandum of Association;
- b. Whether the activity is in furtherance of the business;
- c. Whether the activity is normal or otherwise routine for the particular business (i.e. activities like advertising, staff training, etc.);
- d. Whether the activity is repetitive/frequent;
- e. Whether the income, if any, earned from such activity/transaction is treated as business income in the company's books of account;
- f. Whether the transactions are common in the particular industry;
- g. Whether there is any historical practice to conduct such activities business;
- h. The financial scale of the activity with regard to the operations of the business;
- i. Revenue generated by the activity; and
- j. Resources committed to the activity.

The above list is not exhaustive. Individually, none of the above parameters cantantamount a transaction being in the ordinary course of business.

n. **Policy** means BSNL - Policy on Related Part Transactions.

o. **"Related Party"** means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013, under Regulation 2(zb) of SEBI LODR, 2015 and as



defined under Indian Accounting Standard (IND AS )-24.

- p. **“Related Party Transaction”** shall be as per Regulation 2(zc) of SEBI LODR, 2015.
- q. **“Relative”** shall be as defined in Section 2(77) of the Companies Act, 2013 read with Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014.
- r. **Subsidiary** means a company as defined in Section 2(87) of the Companies Act, 2013.
- s. **“Transaction”** with a related party shall be construed to include a single transaction or a group of transactions
- t. Aforesaid definitions and any other term defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Regulations, Securities Contract Regulation Act, SEBI Act or any other applicable law or regulation as may be applicable from time to time.

#### **4. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS**

Functional Directors shall review Related Party Transactions (RPTs) undertaken under their administrative control to ensure that all RPTs are within approved limits.

##### **4.1 Approval of the Audit Committee of the Board**

- i). **All the transactions** with the related party require the prior approval of the Audit Committee, in terms of Section 177(4)(iv) of Companies Act and Regulation 23(2) of the SEBI(LODR) 2015. Further, subsequent modification of such transaction also require the approval of the Audit Committee as provided under section 177(4)(iv) of the Act. The Audit committee shall consider the proposal along with requisite details as stipulated under the relevant statutory provisions
- ii). All the related party transactions entered into during each quarter shall be consolidated by the Corporate Accounts Cell and submitted to the Audit Committee for review, as duly approved by the Director (Finance), along with Quarterly/ Annual Accounts.
- iii). All Related Party Transactions shall be subject to the approval of the Audit Committee in accordance with this Policy.
- iv). In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Audit Committee may ratify the transactions in accordance with this Policy, Act or SEBI LODR, 2015.



#### 4.2 Approval of the Board of Directors

- i) The Company shall enter into any contract or arrangement with a related party with respect to a transaction as specified under Section 188(1) of the Act, only with prior consent of the Board of Directors given by way of a resolution of the Board, and subject to such conditions as may be prescribed under the Act from time to time.
- ii) All Related Party Transactions, which are proposed to be entered by the Company (i) other than in ordinary course of business; and / or (ii) other than on arm's length basis, shall require prior approval of the Board of Directors of the Company, by means of passing of resolution at a meeting of the Board.
- iii) Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.


#### 4.3 Approval of the Shareholders of the Company

1. The prior approval of the shareholders of the Company shall be required in case of ;

- (i) All material related party transactions.
- (ii) All other related party transactions, which are not in ordinary course of business and/or not entered on arm's length basis, whose value exceeds the threshold limits as prescribed under provisions of Companies Act, 2013 read with Rule 15 of the Companies (Meetings of the Board & its Powers) Rules, 2014, as given below through an Ordinary resolution.

| S.NO. | Nature of transaction as per Section 188 of the Companies Act, 2013  | Threshold limit for seeking approval of shareholders      |
|-------|--|---|
| a)    | sale, purchase or supply of any goods or material, directly or through appointment of agent                | Ten percent or more of the turnover of the Company.       |
| b)    | selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent | Ten percent or more of net worth of the company           |
| c)    | leasing of property any kind   | Ten per cent or more of the turnover of the company       |
| d)    | availing or rendering of any services, directly or through appointment of agent                            | Ten percent or more of the turnover of the company        |
| e)    | appointment to any office or place of profit in the company, its subsidiary company or associate company   | Monthly remuneration exceeding two and a half lakh rupees |
| f)    | remuneration for underwriting the subscription of any securities or derivatives thereof, of the company    | Exceeding one percent of the net worth of the company.    |

2. Explanation:-



- a. the limits specified in sub-clause (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.
- b. The turnover or net worth referred in the above points shall be computed on the basis of the audited financial statement of the preceding financial year.

3. No related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not provided that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

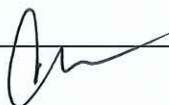
#### **4. OMNIBUS APPROVAL**

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- (i) The audit committee shall grant the omnibus approval in line with this policy and such approval shall be applicable in respect of transactions which are repetitive in nature
- (ii) The audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;
- (iii) The Audit Committee shall grant omnibus approval to the transactions which are in the ordinary course of business and the transactions which are on arm's length basis.
- (iv) The omnibus approval shall specify
  - the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into
  - the indicative base price / current contracted price and the formula for variation in the price if any; and
  - such other conditions as the audit committee may deem fit
  - Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.
- (v) Audit Committee shall review each of the omnibus approval, at least on quarterly basis, if any.
- (vi) The omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval for next financial year.

#### **6. Identification of Related Party Transactions**

- i. Concerned GM Head of Business Area / Head of Department shall intimate to Corporate Finance and to Company Secretariat Deptt. within ten days of end of each quarter all the transactions with related parties.
- ii. All Directors, Members of the Management Committee and Key Managerial Personnel (KMPs) are responsible for informing the Company of their interest (including interest of their relatives) in other companies, firm or concerns at the beginning of every financial year and any change in such interest during the year, immediately on occurrence. Further, Directors and KMPs should disclose to the Board whether they, directly, indirectly, or on behalf of third parties, have material interest in any transaction or





matter directly affecting the Company. In addition, all Directors, Members of the Management Committee and KMPs are responsible for giving notice to the Company Secretary of any potential Related Party Transaction involving them or their Relatives. Such notice of any potential Related Party Transaction should be given well in advance so that the Company Secretary (or such other person who may be entrusted for this purpose by the Audit Committee) has adequate time to obtain and review information about the proposed transaction and place the same before the Audit Committee.

- iii. Based on the above, All the related party transactions entered into during each quarter shall be consolidated by the Corporate Accounts department and submitted to the Audit Committee for review, as duly approved by the Director (Finance), along with Quarterly/ Annual Accounts.

## 7. DISCLOSURE REQUIREMENT

- a. Every Director of a Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into –
- i. With a body corporate in which such director or such director in association with any other director, holds more than two per cent. shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or
  - ii. With a firm or other entity in which, such director is a partner, owner or member, as the case may be;

shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting:

Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

- b. The transaction entered into with the related party/ies shall be disclosed in the Annual Report/Accounts as per the disclosure requirement of the Companies Act, 2013 and Schedule V of the Listing Regulations.
- c. The particulars of all the Related Party Transaction entered into with the approval of the Audit Committee / Board of Directors / Shareholders shall be entered into the Register of Contract or Arrangements in which Directors are interested, maintained by the Company and all the compliance related thereto shall be done by the Company Secretary as per the provisions of the Companies Act, 2013 and SEBI

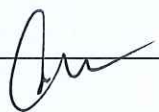


(LODR) 2015.

- d. Details of all Material Related Party Transactions shall be disclosed quarterly along with the compliance report on corporate governance to be submitted to stock exchanges.
- e. The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.
- f. Disclosures on materially significant related party transactions that may have potential conflict with the interests of the Company at large in the Corporate Governance Report.
- g. Disclosures in the financial statements as required under Ind AS 24.
- h. The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.
- i. Any other disclosures as may be required in accordance with the applicable statutory provisions.

**8. EXEMPTION(S) UNDER THE COMPANIES ACT, 2013 AND UNDER SEBI LODR, 2015:**

- 1. In terms of provisions of Section 177 of the Companies Act, 2013 and Regulation 23(5) of SEBI (LODR) Regulations, 2015, the requirement of approval of Audit Committee under Point 4.1 of this policy shall not apply to transactions (other than a transaction referred to in section 188 of Companies Act, 2013) entered into between a holding company and its wholly owned subsidiary and transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval respectively.
- 2. In term of Section 188 of Companies Act 2013, Approval of the shareholders of the Company under Point 4.3 (ii) of this policy shall not be applicable for transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- 3. As per Ministry of Corporate Affairs Notification dated 5th June, 2015, prior approval of shareholder shall not require in case of:
  - a. A Government Company in respect of contracts or arrangements entered into by it with any other government company.
  - b. A government company, other than a listed company, in respect of contracts or arrangement other than those referred to in clause (a), in case such company obtains approval of the Ministry or Department of the Central government which is



administratively in charge of the company, or, as the case may, be the State Government before entering into such contract or arrangement.

**9. RATIFICATION**

- A. Any Related Party Transaction entered into without obtaining the prior approval of the Audit/ Board/ Shareholders(respective authority/ies) may be ratified, subject to the applicable provisions of the Companies Act, 2013 and the Listing Regulations, if post review of the said transaction / contract, the appropriate authority is satisfied, that the said Related Party Transaction is not detrimental to the interest of the Company, however, the appropriate authority may also ratify such transaction or contracts, with or without the modification(s).
- B. If the appropriate authority decides, not to approve a particular transaction, it may require the Related Party to reimburse the benefits which might have accrued to it and/ or indemnify the Company with regard to the subject Related Party Transaction which is not approved by the appropriate authority.
- C. However the Related Party transaction which are entered into without the approval of the appropriate authority and subsequently not ratified by the appropriate authority, the applicable provisions of the Companies Act, 2013 and Listing Regulations, shall apply.

**10. LIMITATION AND AMENDMENT**

In the event of any conflict between the provisions of this Policy and of the Act or any other statutory enactments, rules, the provisions of such Act or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment/modification in Companies Act and rules & regulation thereof/ applicable laws in this regard shall automatically apply to this Policy.

**11. POWER TO REVIEW**

The Board of Directors shall have the powers to amend/review the Policy

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